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## First Trust JFL Fixed Income Core Plus ETF • FJFB

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Interim Management Report of Fund Performance  
June 30, 2021

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# **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

## **June 30, 2021**

### **First Trust JFL Fixed Income Core Plus ETF (the “First Trust ETF”)**

This interim management report of fund performance contains financial highlights, but does not contain the complete unaudited interim financial statements of the First Trust ETF. All references to dollars contained herein are to Canadian dollars.

Securityholders may also contact us to request a copy of the First Trust ETF’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures relating to the First Trust ETF by calling 1-877-622-5552, by writing to us at FT Portfolios Canada Co., 40 King Street West, Suite 5102, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2 or by visiting our web site at [www.firsttrust.ca](http://www.firsttrust.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent beliefs regarding future events. By their nature, forward-looking statements are based on assumptions and are subject to inherent risks and uncertainties. There is significant risk that forward-looking statements will not prove to be accurate. Readers of this document should not place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the expectations, estimates or intentions expressed or implied in the forward-looking statements. These factors include but are not limited to market and general economic conditions, interest rates, foreign currency exchange rates, the extent of industry sector exposure, the performance of the securities of the issuers held in the portfolio and regulatory developments and the risks detailed in the First Trust ETF’s prospectus. The Manager does not undertake and specifically disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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# First Trust JFL Fixed Income Core Plus ETF

## Management Report of Fund Performance

### For the period ended June 30, 2021

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#### **Investment Objective and Strategy**

The fundamental investment objective of **First Trust JFL Fixed Income Core Plus ETF** (the “First Trust ETF”) is to provide unitholders with income and preserve capital by investing at least 75% of the First Trust ETF’s net assets in a diversified portfolio of investment grade Canadian corporate, federal, provincial, and municipal bonds. The First Trust ETF may also invest up to 25% of the fund’s net assets in non-investment grade corporate bonds (at the time of purchase, as rated by a designated rating organization), high yield bonds, developed international bonds, emerging market bonds, preferred shares and convertible bonds of North American and/or international issuers.

#### **Risk**

The risks associated with an investment in the First Trust ETF remain as discussed in the First Trust ETF’s most recent prospectus. There have been no significant changes during the period that affected the overall level of risk associated with the First Trust ETF.

#### **Results of Operations**

##### ***General***

The First Trust ETF’s net asset value as of June 30, 2021 was \$2,034,327 or \$20.34 per unit.

For the period ended June 30, 2021, the First Trust ETF paid total cash distributions per unit of \$0.0718. In addition, the First Trust ETF declared cash distributions per unit of \$0.0368 for record date of June 30, 2021 with payment date of July 8, 2021.

##### ***Investment Performance***

For the period ended June 30, 2021, the First Trust ETF returned 2.59% compared to FTSE Canada Universe Bond Index (the “benchmark”) total return of 2.41%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

In the second quarter, the First Trust ETF outperformed its FTSE Universe benchmark. Security selection in the First Trust ETF’s investment grade corporate and provincial holdings as well as its high yield and preferred share securities, all contributed to the First Trust ETF’s quarterly outperformance. We expect further interest rates increases on the back of the continued economic recovery to be more limited given the already substantial rise in nominal interest rates. We would also note that the economy’s sensitivity to rising interest rates limit the central banks’ ability to raise interest rates. The Bank of Canada will be ahead of the Fed in raising interest rates as they try to curtail the extreme risk to the Canadian economy from the household sector’s elevated debt situation. Real, or inflation-adjusted, interest rates are historically low and should rise over time with some of the increase being in response to improved economic growth prospects, less accommodative monetary policy, and a return to more normal inflation levels.

The First Trust ETF held 84 individual positions. The portfolio has a strong Canada focus and as at June 30, 2021 is comprised of 93.4% bonds, 4.2% preferred shares and 2.4% cash. The top 10 holdings by issuer accounted for 28.7% of the portfolio.

By comparison, the First Trust ETF held 76 individual positions with the top 10 holdings by issuer comprising 29.0% of the portfolio at the beginning of the period.

#### **Recent Developments**

Bond markets were considerably calmer over the second quarter when compared to the previous quarter’s unusually high volatility. Longer-term bond yields declined slightly while yields on short maturities rose in response to central banks discussing the possibility of a policy turn to initiate the next phase for global recovery. Corporate bond yields were stable relative to government yields, providing the extra yield without any additional gains. Provincial bonds followed a similar trend and now account for half of the market risk of the broad universe bond benchmark.

Bond markets have also been testing the U.S. Federal Reserve’s commitment to average inflation targeting, which is the Fed’s new approach to reach their inflation (core inflation sustainably above 2%) and full employment targets

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before withdrawing excess monetary stimulus. Although this policy shift reflects improved confidence, its success is highly dependent on appropriate timing. Missing the opportune moment could potentially jeopardize the plan's main objective to anchor inflation expectations. Given all the uncertainty involved with the newly proposed strategy, the Fed also took the opportunity to remind investors of their long-term goal of ensuring price stability.

Preferred shares are beginning to taper off after a strong first half of the year. Our funds have sold down the positions as they appear fully valued at this point.

### **Related Party Transactions**

FT Portfolios Canada Co. is the Manager of the First Trust ETF and is a Canadian affiliate of First Trust Advisors L.P., the investment advisor (the "Advisor") of the First Trust ETF.

Pursuant to terms of the declaration of trust of the First Trust ETF, the Manager provides or arranges for all management, administrative and other services required by the First Trust ETF. The Manager receives a management fee from the First Trust ETF. For further details, please see "Management Fees".

The Manager has retained the Advisor to provide certain services to the First Trust ETF pursuant to an investment advisory agreement. The Advisor receives advisory fees from the Manager out of the management fee.

# First Trust JFL Fixed Income Core Plus ETF

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### For the period ended June 30, 2021

#### Financial Highlights

The following tables show selected key financial information about the First Trust ETF and are intended to help you understand the First Trust ETF's financial performance for the period. The information are derived from the First Trust ETF's unaudited interim financial statements for the period ended June 30, 2021.

#### Net Asset Value per Unit

FJFB	June 30, 2021
Net asset value, beginning of period <sup>(1)</sup>	\$20.00 <sup>(a)</sup>
Increase (Decrease) from operations:	
Total revenue	0.18
Total expenses	(0.04)
Realized gains (losses) for the period	0.04
Unrealized gains (losses) for the period	0.27
Total increase (decrease) from operations <sup>(2)</sup>	\$0.45
Distributions:	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions <sup>(3)</sup>	\$(0.11)
Net asset value, end of period <sup>(4)</sup>	\$20.34

(a) Seed capital

(1) This information is provided for the period from March 19, 2021 (commencement of operations) to June 30, 2021 and is prepared under IFRS.

(2) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period.

(3) Distributions were paid in cash or reinvested in additional units of the First Trust ETF, or both. Non-cash distributions are reinvested in additional units of the First Trust ETF and subsequently consolidated. Neither the number of units held by the unitholder, nor the net asset per unit of the First Trust ETF change as a result of any non-cash distributions.

(4) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

#### Ratios and Supplemental Data

FJFB	June 30, 2021
Net asset value (000's)	\$2,034
Number of units outstanding	100,000
Management expense ratio <sup>(1)</sup>	0.68%
Management expense ratio before waivers or absorption	0.81%
Trading expense ratio <sup>(2)</sup>	0.05%
Portfolio turnover rate <sup>(3)</sup>	9.93%
Net asset value per unit	\$20.34

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(3) The First Trust ETF's portfolio turnover rate indicates how actively the First Trust ETF's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the First Trust ETF buying and selling all of the securities in its portfolio once in the course of the period. The higher a First Trust ETF's portfolio turnover rate in a period, the greater the trading cost payable by the First Trust ETF in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between high turnover rate and the performance of a First Trust ETF.

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#### Management Fees

The First Trust ETF will pay the Manager a management fee of 0.70% based on the average daily NAV of the First Trust ETF. The management fee, plus applicable taxes including HST, will be accrued daily and paid monthly in arrears. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time.

The First Trust ETF currently pays the Manager a management fee equal to 0.60%.

*The Manager has agreed to waive a portion of the management fee equal to 0.10% of average daily net assets of the First Trust ETF until December 31, 2021 in response to the current low interest rate environment. The Manager anticipates that if the trailing average 30-day yield of the current 10-year Canadian Treasury Bond exceeds 3.50% before December 31, 2021, the fee waiver may not be continued past December 31, 2021. Given that the 0.10% waiver is on an annualized basis, if the waiver is for less than a year, the net 12 management fee will be higher than 0.60%. Following December 31, 2021, the Manager may waive a portion of the management fee at any time in its discretion.*

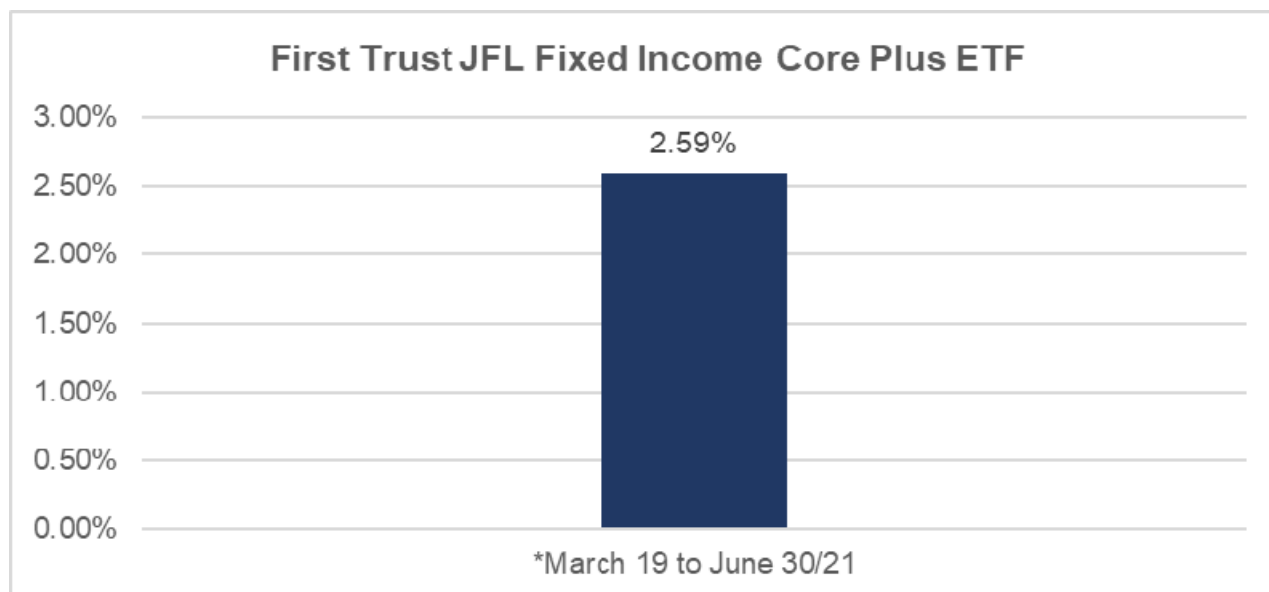
#### Past Performance

##### General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period shown were reinvested in additional securities of the First Trust ETF. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the First Trust ETF has performed in the past does not necessarily indicate how it will perform in the future.

##### Year by Year Returns

The bar chart below shows the First Trust ETF's performance for the period from commencement of operations to June 30, 2021 and illustrates how the investment fund's performance has changed for the period.



\*First Trust ETF Commencement: March 19, 2021

# First Trust JFL Fixed Income Core Plus ETF

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#### Summary of Investment Portfolio

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's top 25 holdings, by issuer, as at June 30, 2021. This summary of portfolio holdings may change due to ongoing portfolio transactions of the First Trust ETF. Daily and quarterly updates are available at [www.firsttrust.ca](http://www.firsttrust.ca).

Top 25 Holdings	% of ETF Total Net Asset Value
Royal Bank of Canada, 3.296%, due 09/26/2023	3.87%
Bank of Montreal, 2.890%, due 06/20/2023	3.48%
Province of Quebec, 3.500%, due 12/01/2048	2.91%
Province of New Brunswick, 3.100%, due 08/14/2028	2.85%
Province of Ontario, 2.650%, due 12/02/2050	2.81%
Canada Housing Trust No. 1, 2.350%, due 06/15/2027	2.80%
Canada Housing Trust No. 1, 1.950%, due 12/15/2025	2.75%
Canadian Imperial Bank of Commerce, 2.430%, due 06/09/2023	2.53%
Canada Housing Trust No. 1, 1.400%, due 03/15/2031	2.43%
Toronto-Dominion Bank (The), 1.909%, due 07/18/2023	2.21%
Suncor Energy Inc., Callable, 3.100%, due 05/24/2029	2.16%
Government of Canada, 1.250%, due 06/01/2030	2.15%
Walt Disney Co. (The), 3.057%, due 03/30/2027	2.08%
National Bank of Canada, 2.983%, due 03/04/2024	2.06%
Wells Fargo & Co., 3.874%, due 05/21/2025	1.96%
Province of Ontario, 2.800%, due 06/02/2048	1.84%
Federation des Caisses Desjardins du Québec, 1.093%, due 01/21/2026	1.78%
HSBC Bank Canada, 2.253%, due 09/15/2022	1.75%
Federation des Caisses Desjardins du Québec, 3.056%, due 09/11/2023	1.75%
Manulife Bank of Canada, 2.378%, due 11/19/2024	1.73%
Province of British Columbia, 5.700%, due 06/18/2029	1.59%
Wells Fargo & Co., 2.493%, due 02/18/2027	1.56%
Canadian Imperial Bank of Commerce, 2.000%, due 04/17/2025	1.56%
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.105%, due 04/22/2030	1.55%
Apple Inc., Callable, 2.513%, due 08/19/2024	1.54%
<b>Total</b>	<b>55.70%</b>

#### Portfolio Breakdown

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by sector, as at June 30, 2021.

Sector Weightings	% of ETF Total Net Asset Value
Corporate Bonds	49.75%
Provincial Bonds and Guarantees	25.24%
Federal Bonds and Guarantees	18.16%
Equities	4.20%
Cash and Cash Equivalents	2.40%
Other Assets, Less Liabilities	0.25%
<b>Total</b>	<b>100.00%</b>



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The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, including equities, by country, as at June 30, 2021.

Country Weightings	% of ETF Total Net Asset Value
Canada	85.84%
United States	9.86%
Jersey C.I.	1.40%
United Kingdom	0.25%
<b>Total</b>	<b>97.35%</b>

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio by credit rating, as at June 30, 2021.

S&P Rating	% of ETF Total Net Asset Value
AAA	20.43%
AA	17.99%
A	30.96%
BBB	21.66%
Below BBB	2.11%
<b>Total</b>	<b>93.15%</b>

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